

26-7504

**Beaverton Area Fire Protection District
Gladwin County, Michigan**

**Financial Statements
Year Ended March 31, 2004**

 **Burnside & Lang, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Beaverton Area Fire Protection District	County Gladwin
Audit Date March 31, 2004	Opinion Date May 7, 2004	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

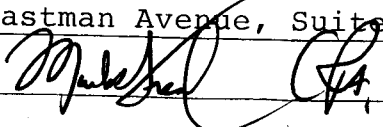
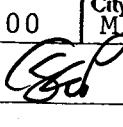
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the report of comments and recommendations.

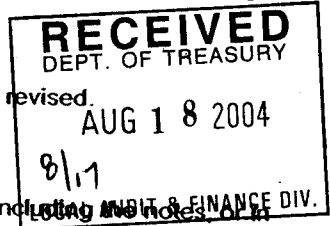
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Burnside & Lang, P.C.			
Street Address 5915 Eastman Avenue, Suite 100		City Midland	State MI
Accountant Signature 		ZIP 48640	



BEAVERTON AREA FIRE PROTECTION DISTRICT

BOARD MEMBERS

City of Beaverton

Pat Smith
Jean Hughes

Beaverton Township

Madalyn Hubble
Jan Posey

Tobacco Township

Ruthann Gerow
James Andrist

Fire Chief

Tim Illig

Administrator

Jill Nau

BEAVERTON AREA FIRE PROTECTION DISTRICT

TABLE OF CONTENTS

Independent Auditors' Report	1
General Purpose Financial Statements	
Combined Balance Sheet	2
Combined Statement of Revenue, Expenditures and Changes In Fund Balance - Budget and Actual	3
Notes to Financial Statements	4-8

Independent Auditors' Report

Members of The Administrative Board
Beaverton Area Fire Protection District
Gladwin County, Michigan

We have audited the accompanying general purpose financial statements of the Beaverton Area Fire Protection District, Gladwin County, Michigan, as of and for the year ended March 31, 2004. These general purpose financial statements are the responsibility of the District's Administrative Board. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Beaverton Area Fire Protection District, Gladwin County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Burnside & Lang, P.C.

Midland, Michigan
May 7, 2004

**BEAVERTON AREA FIRE PROTECTION DISTRICT
GLADWIN COUNTY, MICHIGAN
COMBINED BALANCE SHEET
MARCH 31, 2004
(WITH COMPARATIVE TOTALS FOR MARCH 31, 2003)**

	General Fund	General Fixed Asset Account Group	General Long-Term Debt Account Group	Totals (Memorandum Only)	
				2004	2003
<u>ASSETS</u>					
Cash and cash equivalents	\$ 59,982	\$ -	\$ -	\$ 59,982	\$ 51,492
Due from other governmental units	1,000	-	-	1,000	-
Prepaid insurance	2,204	-	-	2,204	1,630
Vehicles and equipment	-	741,025	-	741,025	529,857
Amount to be provided for retirement of general long-term debt	-	-	291,340	291,340	16,132
<u>TOTAL ASSETS</u>	<u>\$ 63,186</u>	<u>\$ 741,025</u>	<u>\$ 291,340</u>	<u>\$ 1,095,551</u>	<u>\$ 599,111</u>
<u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES					
Accounts payable	\$ 2,693	\$ -	\$ -	\$ 2,693	\$ 804
Accrued expenditures	739	-	-	739	-
Capital lease payable	-	-	8,340	8,340	16,132
Installment purchase contracts	-	-	283,000	283,000	-
<u>TOTAL LIABILITIES</u>	<u>3,432</u>	<u>-</u>	<u>291,340</u>	<u>294,772</u>	<u>16,936</u>
FUND EQUITY					
Investment in general fixed assets	\$ -	\$ 741,025	\$ -	\$ 741,025	\$ 529,857
Fund Balances:					
Reserved - prepaid insurance	2,204	-	-	2,204	1,630
Unreserved - undesignated	57,550	-	-	57,550	50,688
<u>TOTAL FUND EQUITY</u>	<u>59,754</u>	<u>741,025</u>	<u>-</u>	<u>800,779</u>	<u>582,175</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 63,186</u>	<u>\$ 741,025</u>	<u>\$ 291,340</u>	<u>\$ 1,095,551</u>	<u>\$ 599,111</u>

The accompanying notes are an integral part of the financial statements.

**BEAVERTON AREA FIRE PROTECTION DISTRICT
GLADWIN COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2003)**

	Amended Budget	Actual	Favorable (Unfavorable) Variance	(Memorandum Only) Year Ended March 31, 2003
REVENUES				
Local contributions				
City of Beaverton	\$ 19,363	\$ 19,363	\$ -	\$ 16,670
Beaverton Township	41,704	41,704	-	35,905
Tobacco Township	87,876	87,876	-	75,656
Charges for services	-	-	-	11,882
Federal grants	48,030	48,030	-	-
Interest	188	210	22	212
Sale of fixed assets	1,500	6,000	4,500	-
TOTAL REVENUES	198,661	203,183	4,522	140,372
EXPENDITURES				
Salaries and wages	27,600	18,591	9,009	26,095
Payroll taxes	3,500	2,161	1,339	1,996
Audit and accounting	2,827	2,827	-	2,589
Contingency	3,000	-	3,000	-
Contracted services	3,000	3,000	-	3,000
Gas and oil	1,800	713	1,087	1,632
Hepatitis B	450	34	416	-
Insurance	16,192	15,619	573	13,768
Legal	-	10,013	(10,013)	-
Meetings and training	3,200	175	3,025	146
Office supplies	992	992	-	685
Operating supplies	11,900	8,744	3,156	6,110
Operating lease	1	1	-	1
Rent	4,500	4,500	-	4,000
Repair and maintenance	10,497	10,615	(118)	20,028
Telephone	1,509	1,535	(26)	1,469
Utilities	4,800	4,163	637	4,065
Capital outlay	80,753	381,909	(301,156)	10,214
Debt service:				
Principal payments	44,201	7,792	36,409	28,676
Interest payments	1,040	5,363	(4,323)	3,354
TOTAL EXPENDITURES	221,762	478,747	(256,985)	127,828
REVENUES OVER (UNDER) EXPENDITURES	(23,101)	(275,564)	(252,463)	12,544
OTHER FINANCING SOURCES				
Loan proceeds	283,000	283,000	-	-
REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	259,899	7,436	(252,463)	12,544
FUND BALANCES, BEGINNING OF PERIOD	52,318	52,318	-	39,774
FUND BALANCES, END OF PERIOD	\$ 312,217	\$ 59,754	\$ (252,463)	\$ 52,318

The accompanying notes are an integral part of the financial statements.

BEAVERTON AREA FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE 1. DESCRIPTION OF ENTITY

The Beaverton Area Fire Protection District (the "District") operates under a joint agreement created by the City of Beaverton, the Township of Beaverton and the Township of Tobacco in Gladwin County, Michigan. The agreement was created in 1971 to form a fire protection district comprising the entire area of the three governmental units.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Beaverton Area Fire Protection District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Basis of Presentation

The financial activities of the District are recorded within separate funds and account groups, categorized and described as follows:

Governmental Fund Type

Special Revenue Fund: This fund is used to account for the expenditure of revenues that are limited to a specific program or project because of legal or regulatory provisions or administrative action.

Account Groups

General Fixed Assets Account Group: Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. These assets are recorded as expenditures in the Special Revenue Fund at the time of purchase. No depreciation is charged against general fixed assets.

General Long-Term Debt Account Group: This account group presents the balance of general long-term debt of the local unit.

Basis of Accounting

The modified accrual basis of accounting is followed by the District. Revenues are recognized in the year in which they become available and measurable and expenditures are recognized in the year in which the liability is incurred.

BEAVERTON AREA FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Totals - Memorandum Only

The financial statements include total columns, which aggregates the columnar statement amounts. These total columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—An annual budget is adopted on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at fiscal year end. The legal level of budgetary control adopted by the governing body is at the line item level.

Excess of Expenditures Over Appropriations in Budgeted Funds—During the year, the District incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
Legal	\$ 0	\$ 10,013
Repair and maintenance	10,497	10,615
Telephone	1,509	1,535
Capital outlay	80,753	381,909

NOTE 4. FUNDING

The District is financed each year on a proportional basis by each participating governmental unit based upon the State Equalized Value of the governmental unit as determined on the levy date of each year, which is December 31. This funding represented 73% of the District's total revenues received during the year ended March 31, 2004. Consequently, the District's ability to provide services is dependent upon the continued support of participating governmental units.

NOTE 5. CASH DEPOSITS AND INVESTMENTS

As of March 31, 2004, the Beaverton Area Fire Protection District had the following amounts deposited:

Demand Deposits - Amount Insured	\$ 40,147
Savings Deposits - Amount Insured	19,835
Total	\$ 59,982

These deposits are in a financial institution with branches located in Gladwin County. Amounts are recorded at cost in the records of the Fire Protection District and interest is recorded as it is credited by the financial institution.

BEAVERTON AREA FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE 5. CASH DEPOSITS AND INVESTMENTS (continued)

Statutory Authority

Act 214, PA 1982, authorizes the District to deposit and invest in:

- a) Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States, in which the principal and interest is fully guaranteed by the United States. This subdivision shall include securities issued or guaranteed by the Government National Mortgage Association.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, or a credit union which is insured by the National Credit Union Administration, that are eligible to be a depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c) Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
- d) United States government or federal agency obligation repurchase agreements.
- e) Bankers' acceptances of United States banks.
- f) Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The District's investments are in accordance with statutory authority.

NOTE 6. GENERAL FIXED ASSETS

A summary of General Fixed Assets follows:

	Balance 4-1-03	Additions	Deletions	Balance 3-31-04
Vehicles & equipment purchased under capital lease	\$ 162,813	\$	\$	\$ 162,813
Vehicles & equipment	367,044	381,909	170,741	578,212
Total vehicles & equipment	\$ 529,857	\$ 381,909	\$ 170,741	\$ 741,025

BEAVERTON AREA FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE 7. CONTRACTUAL AGREEMENTS

The District contracts annually with Billings Township, Gladwin County for fire and rescue protection within a specific area of Tobacco Township. The cost of this agreement for the year ended March 31, 2004 was \$3,000.

The District entered into a lease agreement with Tobacco Township, Gladwin County (a related party) for the use of a 2002 Ford Fire Truck. The lease agreement is for five years and requires the District pay Tobacco Township \$1 per year plus annual insurance and maintenance costs.

NOTE 8. LONG-TERM DEBT

A schedule of long-term debt at March 31, 2004, and changes therein for the year then ended follows:

	<u>Balance 4-01-03</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 3-31-04</u>
Installment purchase contract, 2003 contract of \$180,000 with the U.S.A. (Rural Development) for the purchase of a fire truck; annual payments range from \$9,000 to \$16,000 through 2018; interest at 4.75%	\$	\$ 180,000	\$	\$ 180,000
Installment purchase contract, 2003 contract of \$103,000 with the U.S.A. (Rural Development) for the purchase of a fire truck; annual payments range from \$5,000 to \$10,000 through 2018; interest at 4.65%		103,000		103,000
Total Long Term Debt	<u><u>\$</u></u>	<u><u>\$ 283,000</u></u>	<u><u>\$</u></u>	<u><u>\$ 283,000</u></u>

BEAVERTON AREA FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE 8. LONG-TERM DEBT (Continued)

Scheduled principal maturities of long-term debt for years subsequent to March 31, 2004 are as follows:

Year Ending March 31

2005	\$ 14,000
2006	14,000
2007	15,000
2008	15,000
2009	15,000
Thereafter	<u>210,000</u>
	<u>\$ 283,000</u>

NOTE 9. LEASES

Capital Lease—The District has entered into a lease agreement as lessee for financing the purchase of a fire vehicle. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the net present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

Year Ended March 31

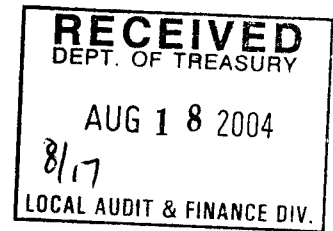
2005	\$ 8,878
Total Minimum Lease Payments	8,878
Less: Amount Representing Interest	<u>538</u>
Net Present Value	<u>\$ 8,340</u>

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The District has purchased commercial insurance for general property and liability, volunteer firemen and workers compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

May 7, 2004

Members of the Fire
Administrative Board
Beaverton Area Fire
Protection District
Gladwin County, MI



Dear Board Members:

In planning and performing our audit of the financial statements of the Beaverton Area Fire Protection District, Gladwin County, Michigan (the "District"), for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

REPORTABLE CONDITIONS

Overspending Budgeted Appropriations

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the District incurred expenditures in excess of the amount appropriated.

We recommend the modified accrual basis of accounting be considered when adopting and amending the budget of the District. The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Fire Administrative Board and documented in the Board's meeting minutes. This will help prevent the District from incurring expenditures in excess of appropriations.

Beaverton Area Fire
Protection District
May 7, 2004
Page 2

Budget Format

The State of Michigan issued a Uniform Budget Manual in August 2001 and Numbered Letter 2001-2, Budget Requirements, in December 2001. The two documents describe the format to be followed in the presentation and adoption of a budget for a local governmental unit. The District's budget does not conform to the prescribed format. Therefore, we recommend the personnel responsible for preparing the budget study the two documents noted above and follow the prescribed format for all future budgets of the District.

Improper Bank Account

Inquiries during our audit indicated the firemen have a bank account that is not controlled by the District's Treasurer. The State of Michigan does not allow a local unit to operate a bank account independent of the local unit treasurer. Additionally, the treasurer must receive and deposit all local unit money and pay out the money upon proper order. We recommend the bank account be closed and the remaining monies be forwarded to the District's Treasurer.

OTHER MATTERS

Fixed Asset Inventory

The Governmental Accounting Standards Board (GASB) and the Michigan Department of Treasury are requiring governmental units to change the way they report financial information in audited financial statements. A significant component of this change is the valuation of fixed assets and a related amount for depreciation. The District will be required to implement this change during the year ended March 31, 2005. We recommend the District take a physical inventory of all its fixed assets as of March 31, 2004 in anticipation of this required change.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the March 31, 2004, financial statements, and this report does not affect our report on those financial statements dated May 7, 2004. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Fire Administrative Board, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



BURNSIDE & LANG, P.C.